

FINANCIAL MANAGEMENT AND ASSURANCE

Financial Management and Assurance (FMA) analyzes the financial condition and results of operations for our national government and ensures the effective implementation of the 1990 Chief Financial Officers Act, the 1994 Government Management Reform Act, and the 1996 Federal Financial Management Improvement Act. These statutes establish the expectation for federal agencies and the government as a whole to have timely, accurate, and useful financial information for making decisions, monitoring performance day to day, and maintaining accountability and stewardship. This requires agencies to have modern financial management systems, strong internal control, and effective financial management organizations.

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DESCRIPTION OF

our work

We help the Congress ensure the full and effective implementation of legislative financial management reform requirements. A key aspect of this involves a legislative requirement for GAO to audit the U.S. government's annual financial statements, which the Department of the Treasury is required to prepare.

Our work also focuses on strengthening the government's financial management systems and operations by

- identifying financial management best practices;
- identifying areas in which agencies' financial management systems, operations, and controls fall short of expectations and then recommending improvements;
- analyzing financial information reported for federal agencies and activities;
- assessing governmentwide, crosscutting financial management issues; and
- participating in setting accounting, auditing, and financial management standards for federal agencies.

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IMPACT OF

our work

Our audits of governmentwide financial statements for the fiscal years 1997, 1998, and 1999 have framed the most serious financial management improvement challenges facing the federal government. For example, we identified significant financial management systems weaknesses, problems with fundamental record-keeping, incomplete documentation, and weak internal controls that prevented the government from accurately reporting a large portion of its assets, liabilities, and costs. These deficiencies affect the reliability of financial statements and the government's ability to accurately measure the full cost and financial performance of programs and to manage its operations. Other examples of the impact of our recent FMA work include the following:

- At the Internal Revenue Service, we helped advance the ability to produce reliable financial statements covering virtually all of the government's revenue — \$1.9 trillion of tax revenue.
- At Treasury's Bureau of the Public Debt, we helped assure the Congress of the reliability of the reported over \$3.6 trillion of federal debt held by the public and \$2 trillion held by federal entities.
- At the Department of Defense, we recommended ways to improve controls over costs charged to foreign countries for foreign military sales and they were adopted, resulting in savings of \$350 million.
- At the Department of Housing and Urban Development, we identified financial reporting errors that were corrected, saving the government about \$1.2 billion.

HIGHLIGHTS OF RECENT and *future projects*

- Audit the financial statements of the U.S. government, Internal Revenue Service, and Federal Deposit Insurance Corporation
- Audit the Bureau of Public Debt's Schedules of Federal Debt
- Set federal accounting standards, government auditing standards, and internal control standards for the federal government
- Study best practices of world-class financial management operations in private sector organizations and state governments
- Evaluate financial management operations at major federal agencies and ratesetting by power marketing administrations
- Identify internal control weaknesses in Medicare financial control, programs for storing drugs and weapons seized by the FBI and the Drug Enforcement Agency, grant programs, and financial systems computer security
- Address governmentwide financial management issues such as debt collection, cash management, and improper payments